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OVERNIGHT DELIVERY

March 20, 2008

Honorable Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
PO Box 615
Frankfort, Kentucky 40602

RECEIVED

MAR 21 2008
PUBLIC SERVICE
COMMISSION

RE: Reply Comments of Atmos Energy
Case No. 2007-00551

Dear Ms. O'Donnell:

Please find an original, plus eleven (11) copies, of the Reply Comments of Atmos Energy Corporation in connection with the above referenced case, for filing in your office.

Very truly yours,



Mark R. Hutchinson

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 21 2008

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

APPLICATION OF ATMOS ENERGY CORPORATION
FOR MODIFICATION OF ITS APPROVED HEDGING
PROGRAM

Case No. 2007-00551

REPLY COMMENTS OF ATMOS ENERGY CORPORATION

Atmos Energy Corporation ("Atmos"), has applied to the Commission for an Order modifying its hedging program to allow year round hedging for multiple winters and to make the hedging program permanent. The Attorney General was granted full intervention by prior Order of the Commission. The Attorney General and the Commission Staff each served initial data requests on Atmos. The Attorney General also filed supplemental data requests. Atmos has responded to all data requests. On March 14, 2008, the Attorney General filed his written comments concerning Atmos' proposal for modifications to the hedging program. The Attorney General's comments are brief and, as discussed below, do not reflect opposition to Atmos' proposed modifications.

Atmos has engaged in a hedging program for its Kentucky customers each winter since the winter season of 2001-2002. With only minor variations, Atmos' hedging program has been approved each year by the Commission. As established by Atmos' responses to the data requests served in this proceeding, the program has been beneficial to Atmos' ratepayers. They have enjoyed improved price stabilization through the operation of this program.

Atmos seeks to make the program permanent not only because it has proven successful in stabilizing gas costs, but also to eliminate the need for the repetitive annual approval process. Atmos does not, however, propose to discontinue or reduce the level of Commission oversight. It is anticipated that existing interim reporting requirements will be retained so that the Commission will be regularly updated on the progress and results of the hedging program.

The Attorney General's Comments make no mention of Atmos' proposal that the hedging program be made permanent. Presumably, if the Attorney General had any objection to making the hedging program permanent, he would have addressed the issue in his Comments.

The Attorney General's Comments do, however, state affirmatively that he does not oppose Atmos' petition for year round hedging. Historically, Atmos has been able to hedge under the Commission's prior orders only during the summer and early fall months. Atmos proposes to be able to hedge the entire year, thereby providing more flexibility to react to price spikes and dips throughout the year. Likewise, Atmos proposes to be able to hedge over multiple winters thereby enabling it to take advantage of price declines occurring outside the current implementation period. Year round hedging for multiple winters minimizes exposure to short term adverse market conditions.

Lastly, the Attorney General's Comments state that during the course of discovery, questions arose regarding the accuracy of certain financial data pertaining to fuel costs that had been submitted by Atmos. The Attorney General further stated that such information may or may not have an impact on the company's GCA filings; but, due to limited resources, his office was unable to explore the issue. Since this statement by the Attorney General could, standing alone, give rise to a concern that there was, or is, widespread inaccuracies in Atmos' gas cost data, Atmos will respond briefly to this matter.

The inaccuracies referred to by the Attorney General relate to the stated volumes of three gas purchase transactions contained in summary sheets for the months of October, 2003, November, 2003 and December, 2004. These summary sheets were submitted in Atmos' response to Data Request 3 of the Attorney General's First Data Requests. The dollar values of all purchases were correctly reported on the summary sheets. However, as a result of human error, the summary sheets for the three months referenced above misstated the volumes purchased on three transactions. The stated dollar value of all gas purchases was correctly reported on the summary sheets. However, since the corresponding volumes

of gas purchased were misstated on three transactions, an erroneous per mcf price for the gas, was incorrectly reported on the summary sheets.

The Attorney General filed supplemental data requests pertaining to these misstated volumes. The Attorney General asked numerous specific questions regarding the summary sheets and the erroneous volumes. The Company responded to each of the Attorney General's inquiries and confirmed that no portion of the information contained in the summary sheets was used in the calculation of Atmos' GCA filings or otherwise used in any manner whatsoever as to the calculation of Atmos' rates. The Company's response to the Attorney General's Supplemental Data Requests further confirmed that the errors were isolated mistakes that have now been corrected. These summary sheets were designed for internal informational purposes only and historical purchase volumes contained therein have not been used in any financial calculation.

Wherefore, Atmos respectfully requests that the Commission approve Atmos' application for modification of its hedging program to allow for year round hedging for multiple winters and to make the program permanent with the same reporting requirements as now exists.

Respectfully submitted this 20 day of March, 2008.

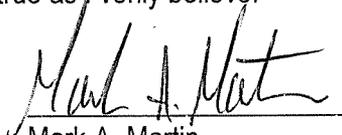


Mark R. Hutchinson
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Douglas Walther
ATMOS ENERGY CORPORATION
PO Box 650250
Dallas, Texas 75265

VERIFICATION

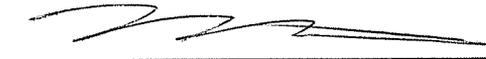
I, Mark A. Martin, being duly sworn under oath state that I am Vice President of Rates and Regulatory Affairs for Atmos Energy Corporation, Kentucky/Midstates Division, and that the statements contained in the foregoing Petition are true as I verily believe.



Mark A. Martin

CERTIFICATE OF SERVICE

I hereby certify that on the 20 day of March, 2008 the original of this Reply, together with ten (10) copies of the Petition without the confidential information, were filed with the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40206 and a copy of same was mailed to Lawrence W. Cook and Paul D. Adams, Assistant Attorneys General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.



Mark R. Hutchinson